

Message Text

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INFO OCT-01 ISO-00 IO-13 ACDA-12 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
SS-15 ICA-11 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 STR-07
CEA-01 /126 W
-----024604 311750Z /42

R 311657Z MAY 78
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 7475
INFO AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
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AMEMBASSY SOFIA
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C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 03667

E.O. 11652: GDS
TAGS: ECON, GE
SUBJECT: 8TH SED CENTRAL COMMITTEE PLENUM: ECONOMIC
- AFFAIRS

REF: BERLIN 3627

SUMMARY: HONECKER'S REPORT AND OTHER SPEECHES TO THE
8TH SED CENTRAL COMMITTEE PLENARY IN BERLIN MAY 24-25
DEVOTE EXTENSIVE AND CRITICAL ATTENTION TO ECONOMIC
THEMES, FOCUSING ON ORGANIZATIONAL AND MANAGERIAL
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ISSUES TO A DEGREE GREATER THAN HAVE COMPARABLE
ADDRESSES IN THE PAST. THE KOMBINAT IS AGAIN BOOSTED
AS AN ORGANIZATIONAL FORM CAPABLE OF GENERATING THE
INCREASED EFFICIENCY REQUIRED BY THE GDR ECONOMY, AND
VARIOUS "DECISIONS" OF THE POLITBURO ARE REFERRED TO
IN THE CONTEXT OF EFFORTS TO IMPROVE PERFORMANCE OF
THE ECONOMY AND THE STANDARD OF LIVING. BESIDES

ENCOURAGING IN FAMILIAR TERMS MORE RAPID AND EFFECTIVE INNOVATION, PLENARY ADDRESSES, ESPECIALLY HONECKER'S REPORT, ARE CRITICAL OF INVESTMENT PERFORMANCE AND COMMENT IN EXPLICIT TERMS ON THE NEED TO IMPROVE LABOR DISCIPLINE AND MANPOWER UTILIZATION. A CURSORY REVIEW OF 1976 AND 1977 ECONOMIC PERFORMANCE IS FOLLOWED BY AN EXHORTATION TO RAISE THE RATE OF GROWTH OF NATIONAL PRODUCT, BY IMPLICATION, IN ORDER TO MEET FIVE-YEAR PLAN TARGETS. OVERALL, THE PLENARY ADDRESSES CONSTITUTE A GENERALLY REALISTIC REVIEW OF THE SOURCES OF WEAKNESS IN CURRENT GDR ECONOMIC PERFORMANCE. END SUMMARY.

1. AS PUBLISHED IN EAST GERMAN PRESS, HONECKER'S REPORT TO THE 8TH CENTRAL COMMITTEE PLENARY IN EAST BERLIN MAY 24 AND REMARKS OF SUCCEEDING SPEAKERS, INCLUDING COUNCIL OF MINISTERS CHAIRMAN STOPH, DEVOTE EXTENSIVE ATTENTION TO ECONOMIC QUESTIONS. TAKEN AS A WHOLE, THEY MAKE UP A COMPREHENSIVE CATALOG OF ECONOMIC ISSUES OF CURRENT CONCERN TO THE GDR LEADERSHIP. THE SPEECHES HAVE A CANDID QUALITY AND A SOMEWHAT CRITICAL ONE AS WELL, WITH CONSIDERABLY MORE ATTENTION DEVOTED TO PROBLEMS AND THE NEED TO IMPROVE ECONOMIC PERFORMANCE THAN TO EXPRESSIONS OF SATISFACTION. IN CONTRAST TO COMPARABLE SPEECHES IN THE RECENT PAST, THE ADDRESSES TO THE 8TH CC PLENARY DO NOT DWELL ON THE "CHANGED FOREIGN ECONOMIC CIRCUMSTANCES" WHICH CREATE DIFFICULTIES

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FOR THE GDR, BUT REFER TO THE GDR'S TERMS OF TRADE PROBLEMS ONLY INDIRECTLY, IN THE CONTEXT OF DISCUSSING OTHER ISSUES, AS FOR EXAMPLE, RAISING THE QUALITY AND QUANTITY OF EXPORT PRODUCTION.

2. OVERALL, THE SPEECHES REFLECT INCREASED AND POSSIBLY MORE FOCUSED ATTENTION ON THE ORGANIZATIONAL AND MANAGERIAL DIMENSIONS OF THE GDR'S ECONOMIC PROBLEMS THAN WE HAVE NOTED HERETOFORE. THEY CONTAIN A MORE CANDID AND REALISTIC APPRAISAL THAN USUAL OF SOME OF THE THINGS THAT ARE WRONG WITH THE WAY THE ECONOMY IS OPERATING AND THEY SUPPORT, IN LESS SPECIFIC TERMS, CORRECTIVE MEASURES, REFERRING AT INTERVALS TO "DECISIONS" OF THE CENTRAL COMMITTEE INTENDED TO AMELIORATE ONE OR ANOTHER SITUATION. THE NEED TO IMPROVE MANAGEMENT OF THE ECONOMY IS EMPHASIZED; AND IN THIS CONTEXT STRONG SUPPORT IS EXPRESSED FOR THE EXPANSION OF THE ROLE OF THE KOMBINAT, INCLUDING THE CREATION OF NEW KOMBINATS, AND STRENGTHENING OF EXISTING ONES. THE NEW LINE ON KOMBINATS, WHICH FIRST MADE ITS APPEARANCE IN THE FALL OF 1977, REPRESENTS AN EFFORT TO INCREASE THE DEGREE OF VERTICAL INTEGRATION

OF ECONOMIC ACTIVITY. A COMPLEMENTARY MEASURE, ALSO EMPHASIZED AT INTERVALS THROUGHOUT THE SPEECHES, AIMS AT INCREASING THE PERSONAL RESPONSIBILITY AND ACCOUNTABILITY OF INDIVIDUAL MANAGERS IN THE INTEREST OF IMPROVING ECONOMIC PERFORMANCE.

3. AMONG OTHER CENTRAL THEMES OF HONECKER'S PRESENTATION, ECHOED IN THE REMARKS OF THE OTHERS, ARE:

(A) SCIENCE AND TECHNOLOGY: INNOVATION AND THE RAPID, WIDESPREAD APPLICATION OF MORE EFFICIENT TECHNIQUES FOR THE PRODUCTION OF IMPROVED PRODUCTS AT LOWER COST REMAINS THE FUNDAMENTAL GOAL OF GDR ECONOMIC DEVELOPMENT.

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(B) INVESTMENT: INVESTMENT PERFORMANCE HAS NOT BEEN SATISFACTORY. IT HAS FAILED TO GENERATE THE SAVINGS OF LABOR REQUIRED IN THE ECONOMY AS A WHOLE, AND PERFORMANCE MUST BE IMPROVED. CITING AN INVESTIGATION

CONDUCTED BY THE STATE BANK AND THE ARBEITER-UND-BAUERN
INSPEKTION HONECKER SHARPLY CRITICIZES "EXTENSIVE"
INVESTMENTS "OFTEN INVOLVING LARGE PROJECTS" UNDER-
TAKEN SPONTANEOUSLY BY LOCAL MANAGERS OUTSIDE THE PLAN,
CALLING SUCH ACTIVITY "SERIOUS INSTANCES" OF VIOLATION
OF PARTY AND STATE DISCIPLINE.

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(C) LABOR: MANAGERS ARE EXPECTED TO COOPERATE IN THE
EFFORT TO USE LABOR MORE EFFICIENTLY, AND LOSSES OF
MANHOURS THROUGH PLANNING DEFICIENCIES AND INDISCIPLINE
ARE TO BE REDUCED.

(D) RELATION OF EFFORT AND RESULT, AND THE MEASUREMENT
OF ACHIEVEMENT: AT NUMEROUS POINTS THE IMPORTANCE OF
THE RELATION BETWEEN EFFORT AND RESULT IS HIGHLIGHTED,
WITH IMPLICIT CRITICISM OF MANAGERS EXCESSIVELY ATTACHED
TO THE RESULT SIDE OF THE EQUATION TO THE DETRIMENT OF
THE NATIONAL MACROECONOMIC EFFORT. A RELATED THEME,
THE MEASUREMENT OF ACHIEVEMENT, ARISES AT FREQUENT
INTERVALS AS WELL; AND AT ONE POINT HONECKER REFERS TO
A "GENERAL" NEED FOR "HONESTY" ON THE PART OF MANAGERS
REPORTING PLAN FULFILLMENT.

4. ON FIVE-YEAR PLAN FULFILLMENT, HONECKER REFERS TO A
RECENT SPECIAL STUDY OF ECONOMIC PERFORMANCE IN 1976
AND 1977. THE SOMEWHAT BEARISH CONCLUSION HE DRAWS
FROM THE REPORT IS THAT THERE IS "MUCH TO DO" IF THE
ECONOMY IS TO MEET THE FIVE-YEAR PLAN GOALS SET IN 1976;
AND HE MAKES AN EXPLICIT CALL FOR AN INCREASE IN THE
ANNUAL RATE OF GROWTH OF NATIONAL INCOME ABOVE RATES
ACHIEVED THUS FAR IN THE FIVE-YEAR PLAN PERIOD. THE
PROGRAM OF "WELFARE, GROWTH, AND STABILITY" ENUNCIATED AT
THE 8TH PARTY CONGRESS (1971) REMAINS THE CORNERSTONE
OF GDR ECONOMIC POLICY. IN OTHER AREAS, THE CONSUMER
ECONOMY AND THE NEED TO IMPROVE THE SPARE PARTS SITUATION
BOTH RECEIVE CONSIDERABLE ATTENTION; THERE IS A RITUAL
RECITAL OF THE IMPORTANCE AND BENEFIT OF ECONOMIC
ASSOCIATION WITH THE USSR; AND HONECKER PRONOUNCES AN
EXPLICIT BLESSING ON PRIVATE AGRICULTURAL PLOTS AS
A MEANS OF INCREASING AVAILABILITY OF VEGETABLES, FRUIT
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AND MEAT.

5. IN SUM, A SOBER, AND TO OUR MIND REALISTIC REVIEW OF ORGANIZATIONAL AND MANAGERIAL WEAKNESSES OF THE GDR ECONOMY. IT REMAINS TO BE SEEN WHETHER THE CRITICAL TONE OF THE PLENUM SPEECHES FINDS EXPRESSION AS WELL IN EFFECTIVE MEASURES TO CORRECT THE DEFICIENCIES CITED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL COMMITTEE, MEETINGS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BERLIN03667
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780227-0964
Format: TEL
From: BERLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978055/aaaaadof.tel
Line Count: 230
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 21f6b39b-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 BERLIN 3627
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2665311
Secure: OPEN
Status: NATIVE
Subject: 8TH SED CENTRAL COMMITTEE PLENUM: ECONOMIC - AFFAIRS
TAGS: ECON, GC, WB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/21f6b39b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014